



FY 2019 Proposed Budget *and* Financial Plan

A FAIR SHOT



GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Presentation Outline



Introduction



DHCF's Budget Development Process



Proposed Funding Levels For Key Benefits



Budget and Planning For New Hospital



Medicaid and Alliance Challenges for FY2019



Conclusion

Health And Human Services Are A Major Priority in The Mayor's FY2019 Budget



Substantial investments in
Infrastructure &
Community Spaces



Expand reach of
Health & Human Services



Accelerate achievements in
Education



Ensure access to
Jobs & Economic Opportunity



Increase access to
Affordable Housing



Increase investments in
Seniors



Strengthen Public Safety





Public Engagement Was Substantial

FY 19 PROPOSED BUDGET
AND FINANCIAL PLAN



Presentation Outline

☐ Introduction

☒ **DHCF's Budget Development Process**

☐ Proposed Funding Levels For Key Benefits

☐ Budget and Planning For New Hospital

☐ Medicaid and Alliance Challenges for FY2019

☐ Conclusion

Building DHCF's FY19 Budget

FY 2018 Budget \$713,077,581

FY 2019 Agency Request

Net Effect of Several Changes

- Provider Payment Increases \$40,795,179
- Restructure to Create DCAS Management Administration \$25,189,683
- Increases to Contracts and Administrative Costs \$8,624,355
- Increases to Personal Services Costs \$1,709,321
- FY 2019 COLA \$777,731
- Removal of One-Time Costs \$600,000

\$76.5

FY 2019 Mayor's Adjustments

Enhancements

- Physician Supplemental Payment for Hospital Physician Services in Wards 7 and 8 \$1,350,000
- Cost Allocation Plan Changes Supporting 10 FTEs, Audits, & Other Admin Costs \$840,002

\$2.2M

Reductions

- DSH for United Medical Center \$1,369,336
- PACE Enrollment Starting in 4th Quarter \$328,190
- Medicaid Managed Care Organization (MCO) Rate Savings \$4,500,000
- Various Contracts Not Yet Implemented \$2,302,475

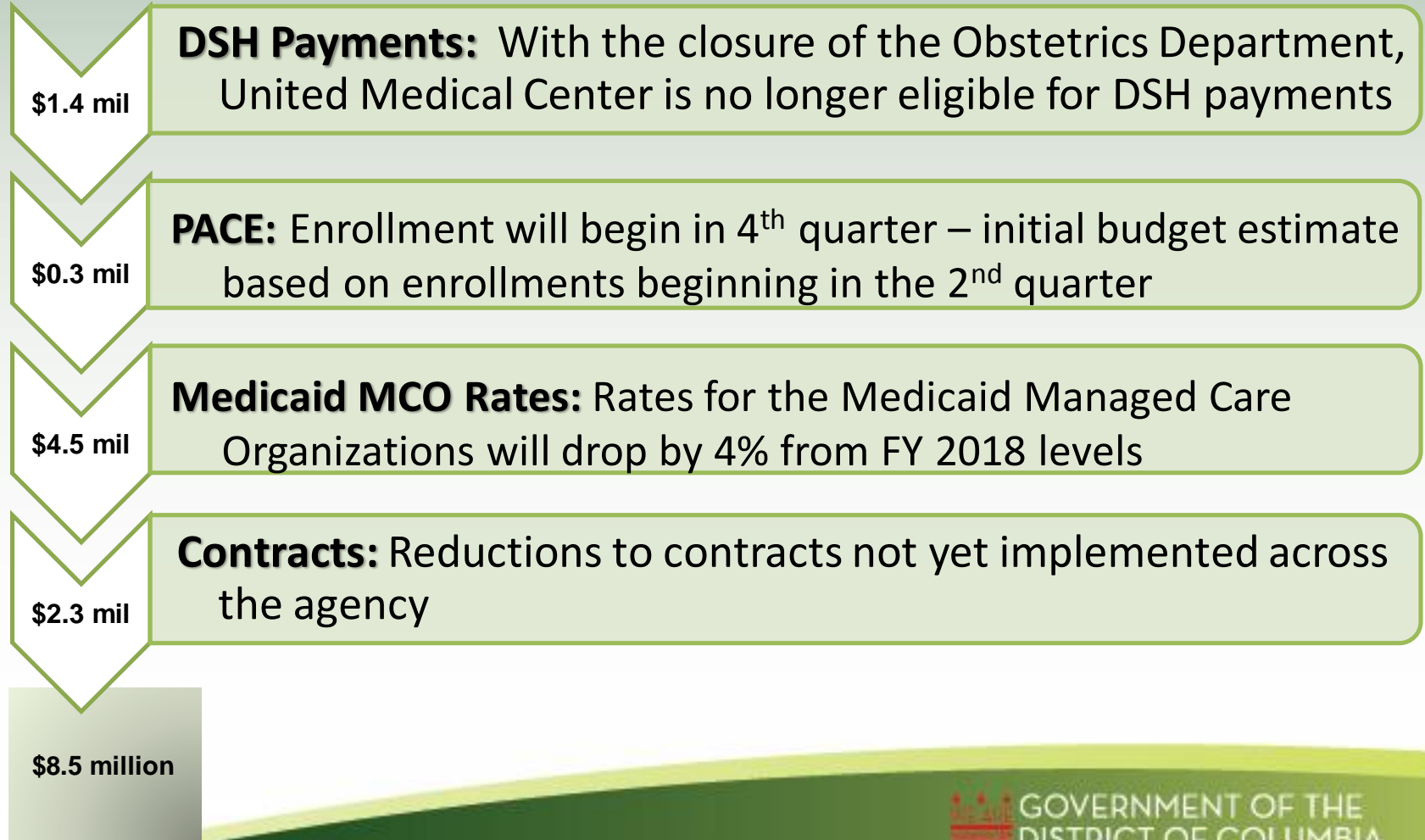
(\$8.5M)

(\$6.3M)

FY 2019 Local Proposed Budget

\$783,263,852

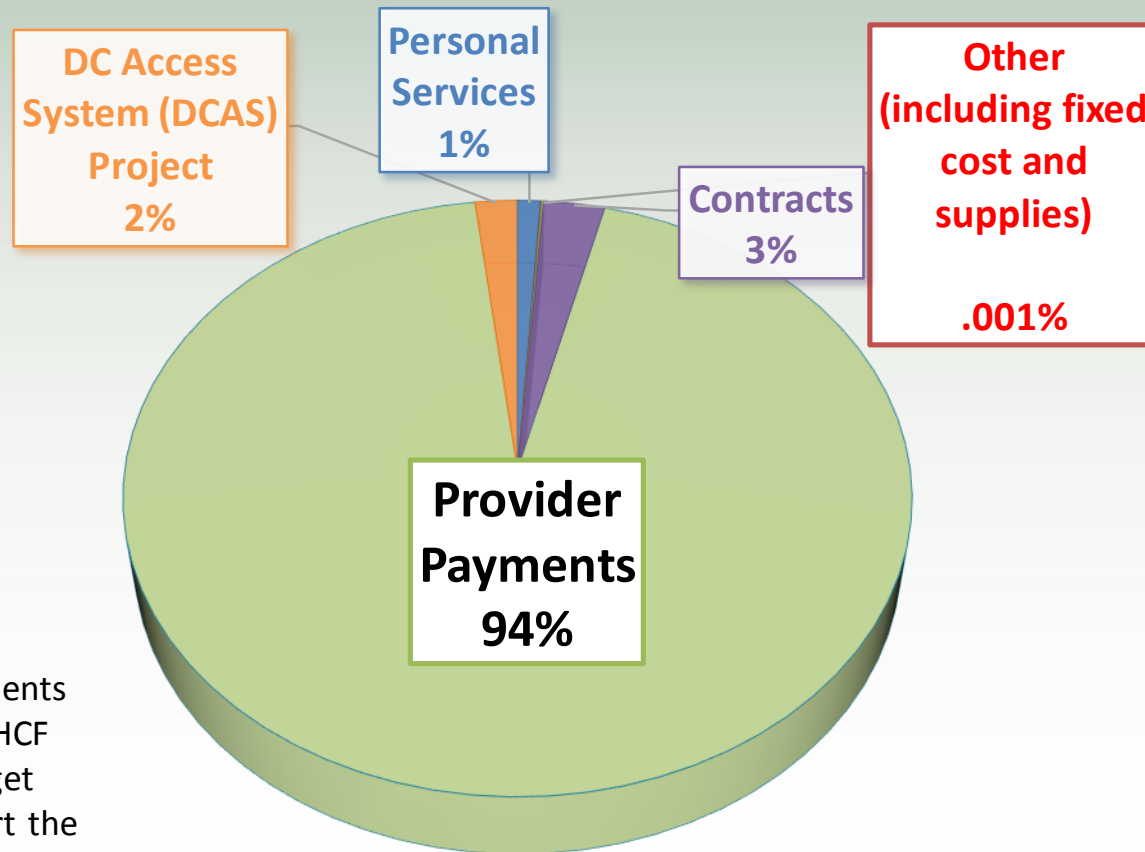
DHCF's FY2019 Proposed Strategies And Local Savings



Structure of DHCF's Proposed FY2019 Budget

FY 19 PROPOSED BUDGET
AND FINANCIAL PLAN

\$3,290,642,619



Historically, provider payments represented 96% of the DHCF budget. The FY 2019 budget includes funding to support the new Eligibility Determination system, DCAS.

Presentation Outline

- ☐ Introduction
- ☐ DHCF's Budget Development Process
- ☒ **Proposed Funding Levels For Key Benefits**
- ☐ Budget and Planning For New Hospital
- ☐ Medicaid and Alliance Challenges for FY2019
- ☐ Conclusion

Budget Request For Medicaid Mandatory Services

Medicaid Mandatory Service	FY17 Expenditures*	FY18 Budgeted Amount*	FY19 Budget Request*
Inpatient Hospital	250.76	239.62	219.23
Nursing Facilities	251.39	275.48	291.60
Physician Services	34.49	39.79	30.72
Outpatient Hospital, Supplemental & Emergency	48.93	61.81	35.11
Durable Medical Equip (including prosthetics, orthotics, and supplies)	24.44	24.78	27.29
Non-Emergency Transportation	27.12	30.08	29.33
Federally Qualified Health Centers	36.20	54.14	55.91
Lab & X-Ray	16.60	26.24	17.96

* In Millions

Budget Request For Medicaid Optional Services

Medicaid Optional Services	FY17 Expenditures*	FY18 Budgeted Amount*	FY19 Budget Request*
Managed Care Services	1,165.32	1,293.68	1,218.31
DD Waiver (all FY 2017-19includes intra-district funds)	222.71	208.31	226.17
Personal Care Aide	206.96	196.53	224.39
EPD Waiver	68.67	48.78	86.16
Pharmacy (net of rebates)	29.24	62.43	23.06
Mental Health (includes PRTFs & DBH intra-district for MHRS)	88.71	86.19	106.52
Day Treatment / Adult Day Health	4.88	5.95	9.22
Home Health	7.12	16.01	16.21

* In Millions

Presentation Outline

- ☐ Introduction
- ☐ DHCF's Budget Development Process
- ☐ Proposed Funding Levels For Key Benefits
- ☒ **Budget and Planning For New Hospital**
- ☐ Medicaid and Alliance Challenges for FY2019
- ☐ Conclusion

The Bowser Administration Has Pursued A Deliberative And Reasonable Planning Process For The New Hospital

2019 PROPOSED BUDGET
AND FINANCIAL PLAN

- ❑ Rationale for New Hospital at St Elizabeths Site
 - Significant health disparities in Wards 7 and 8
 - Lack of specialty care and absence of a health care system anchored by a modern community acute care hospital
- ❑ Critical realities about health care marketplace drove planning for this project
 - Evolution in health care - hospitals are reducing the scale of inpatient services in favor of more ambulatory care – no need for large inpatient facility
 - Tightening federal health care reimbursements and a growing shift to value-based payment models
 - Limited opportunities for economies of scale to drive down operating cost
 - Expanding use of clinical integration strategies by large hospitals
 - Competition is ruinous - government-run, stand-alone public hospitals are a losing proposition – must have strong private or-non-profit partner
- ❑ Mayor smartly pivoted planning to focus on a smaller community-based hospital in a larger network
 - Huron Consulting offered expert consulting on market outlook, service utilization, payor mix, product offerings, and partnership structure and design
 - Health Care Solutions provided the site analysis, project building design work, and renderings of the site with multiple structures

More than \$120 of the \$300 Million For This Project Has Been Moved Forward In The Six-Year Capital Funding Plan To Expedite This Project

FY 19 PROPOSED BUDGET
AND FINANCIAL PLAN

Last Year's Approved FY18-23 "East End" Hospital Capital Budget		Mayor's Proposed FY19-24 Capital Budget*						To speed up hospital we increased pace of funding compared to FY18-23
		New "801 East" Emergency Housing	St. E's Campus Infrastructure	Garage 2 – ESA Parking	A New Hospital at St. E's East Planning and Design	Hospital, Ambulatory and Garage 1 Construction	Sub Total Hospital, Ambulatory and Garages	
FY18	\$0.0	N/A	\$15.0	N/A	N/A	N/A	N/A	N/A
FY19	\$0.0	\$18.0	\$14.0	\$3.0	\$4.0	\$2.0	\$9.0	+\$9.0
FY20	\$0.0	\$22.0	\$20.0	\$18.0	\$8.0	\$20.0	\$46.0	+\$46.0
FY21	\$10.8	-	\$35.0	-	\$8.0	\$64.0	\$72.0	+\$61.2
FY22	\$83.0	-	\$35.0	-	\$3.0	\$84.0	\$87.0	+\$4.0
FY23	\$206.2	-	-	-	-	\$35.0	\$35.0	-\$171.2
FY24	N/A	-	-	-	-	\$51.0**	\$51.0**	+\$51.0
Total	\$300.0	\$40.0	\$104.0	\$21.0	\$23.0	\$256.0	\$300.0	

- The FY19-24 outlay represents the New Hospital at St. Elizabeths East opening in calendar year 2023.
- The \$51M in FY24 gives the District the flexibility needed to address the final hospital size, design, contingencies in construction, and medical equipment based on lines of service.
- The St. Elizabeths East Campus Infrastructure costs includes roads, sewer, water, fiber and stormwater facilities.
- The District intends to replace the 801 East Men's Shelter with a state-of-the-art facility designed for specialized programming, increased support services, and enhanced privacy and security.

Key Elements Of Plan For New Hospital

- ❑ The comprehensive plan for the new hospital envisions the following:
 - Hospital cost - \$250 to \$265 million
 - Number of beds - 100 to 150

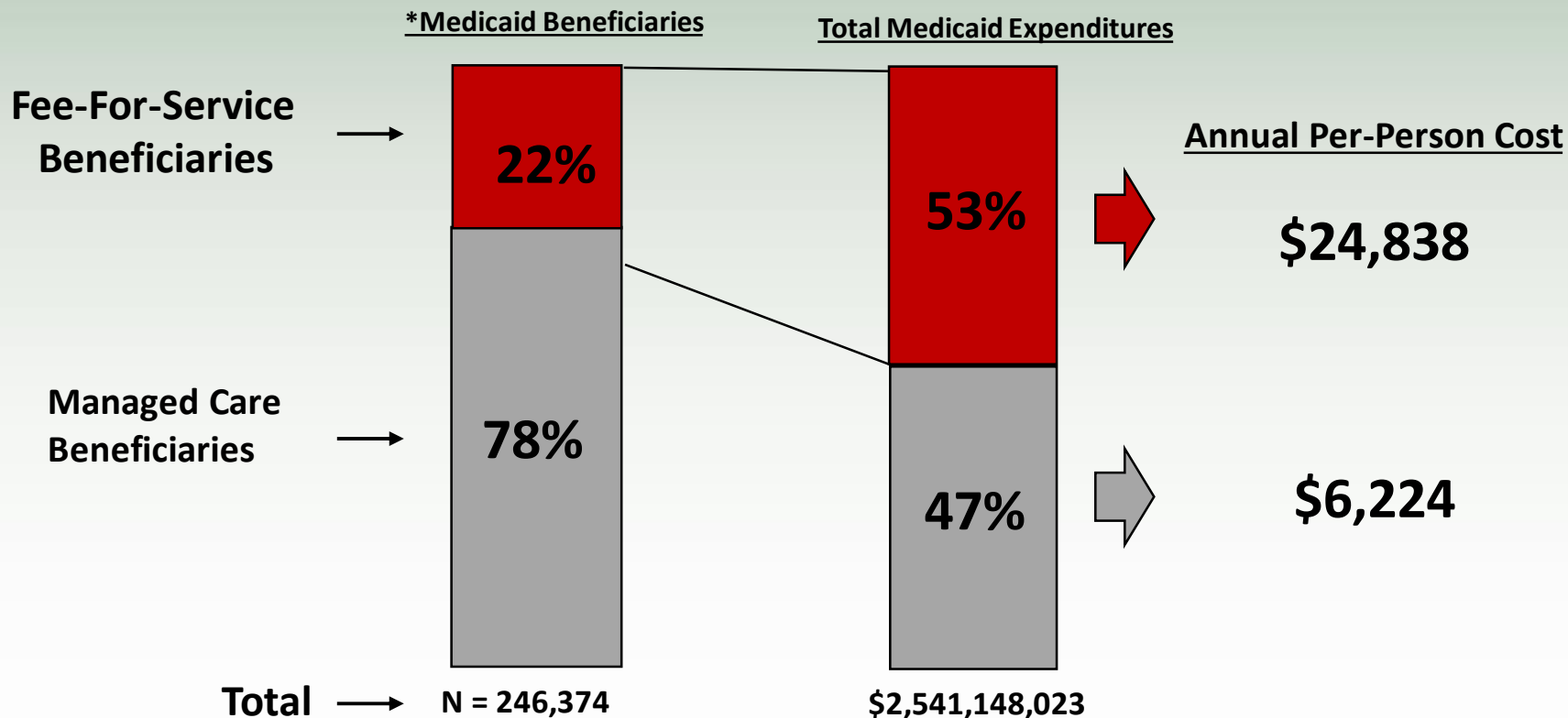
- ❑ Site size will consume 270,000 to 350,000 square feet and support –
 - Inpatient building
 - Ambulatory pavilion
 - Diagnostic and Treatment services
 - Building and logistical support
 - Office space
 - Public space
 - Two garages

- ❑ Planning and design will begin in FY2019

Presentation Outline

- ☐ Introduction
- ☐ DHCF's Budget Development Process
- ☐ Proposed Funding Levels For Key Benefits
- ☐ Budget and Planning For New Hospital
- ☒ **Medicaid and Alliance Challenges for FY2019**
- ☐ Conclusion

Fee-For-Service Beneficiaries Make Up Disproportionate Share of Medicaid Expenditures



Source: Data were extracted from DHCF MMIS system. *Only persons with 12 months of continuous eligibility in 2017 are included in this analysis.

The Top 10 Chronic Conditions For Fee-For-Service Beneficiaries Include Hypertension and Behavioral Disorders

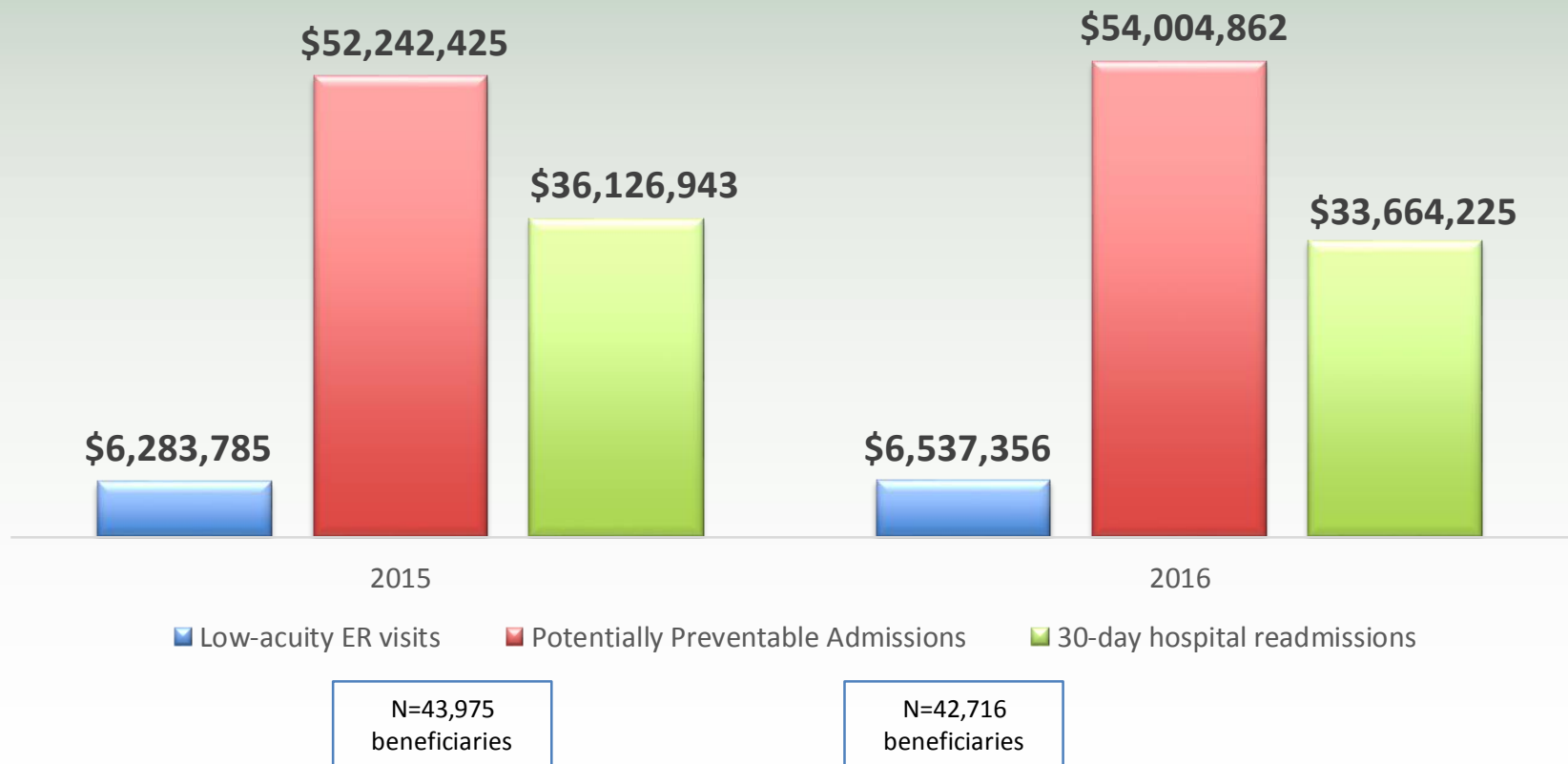
Adults	
Condition	Percent of total
Hypertension	58%
Hyperlipidemia	33%
Diabetes	31%
Personality Disorder	24%
Osteoarthritis	23%
Asthma	22%
Depression	22%
Obesity	16%
Atherosclerosis	16%
Glaucoma	14%

Children	
Condition	Percent of total
Behavior Disorder*	20%
Asthma	15%
Allergy	14%
Personality Disorder	7%
Depression	7%
Obesity	5%
Anxiety	3%
Congenital	3%
Glaucoma	1%
Hypertension	1%

Notes: FFS beneficiaries were identified as those with >= 3 MTM payments and 0 MCO payments during reporting year.

Data Source: DC Medicaid Management Information System (MMIS) beneficiary data, extracted June, 2017. *Examples of behavior disorders include eating disorders, conduct disorders, and attention deficit disorders.

Nearly \$100 Million of Annual Costs Incurred For Fee-For-Services Beneficiaries In 2015 And Again In 2016 Was Avoidable



FFS beneficiaries were identified as those with ≥ 3 MTM payments and 0 MCO payments during reporting year.

Data Source: DC Medicaid Management Information System (MMIS) beneficiary data, extracted June, 2017.

DHCF Launched My Health GPS Program to Help High-Need Beneficiaries Navigate the Health System

➤ Key Design Elements Launched on July 1, 2017:

- Robust care coordination for beneficiaries with 3+ chronic conditions
- Monthly payment to integrate and coordinate *all* health-related services
- Includes pay-for-performance component to hold providers accountable

➤ Goals:

- Increase health quality and outcomes
- Reduce preventable utilization of 911/FEMS, avoidable hospital admissions and ER

➤ Providers: 12 providers with interdisciplinary teams in 33 primary care settings

➤ Participation: ~3,500 beneficiaries enrolled (55% FFS: 45% MCO)

- Target Enrollment: ~18,000 beneficiaries by FY2022

➤ Key Innovations:

- **Health Information Exchange (HIE) Tools:** First users of three new innovative HIE tools that provides real-time data support care coordination
- **Individualized Technical Assistance (TA):** Providing on-site support to all My Health GPS providers to improve delivery of patient-centered care
- **Transportation Pilot:** Offering transportation to and from medical appointments with any District Medicaid fee-for-service provider with as little as three hours advance notice

Consistent With Recent Years, Home and Community Based Services Account for the Largest Share (59%) of Long-Term Care Spending

Medicaid Institutional And Waiver Spending, FY17

Program Service	Total Number of Recipients	Total Cost for Services	Average Cost Per Recipient
Nursing Facilities	4,832	\$244,545,347	\$50,610
EPD Waiver	3,311	\$68,261,625	\$20,617
State Plan Personal Care	5,795	\$203,207,886	\$35,066
IDD Waiver	1,905	\$223,939,805	\$117,554
ICF/IID495,	329	\$94,854,145	\$288,310
Total	---	\$834,808,808	---
HCBS Totals	---	\$495,409,316 (59%)	---

EPD Waiver Budget Neutrality

April 4, 2017 thru March 23, 2018

The District Offers a Robust EPD Waiver Benefits Package

CMS requires that a Waiver program must be equal to or less than the Institutional cost per member in order for the State to maintain the Waiver service.

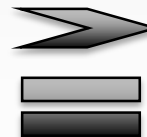
EPD Waiver Cost Per Person
+
State Plan Services Utilized
=
Total EPD Waiver Cost per Person



NH Rate Cost Per Person
+
State Plan Services Utilized
=
Total NH Cost per Person

The District's Current EPD Waiver to Date

\$22,843
+
\$36,468
=
\$59,312 per person

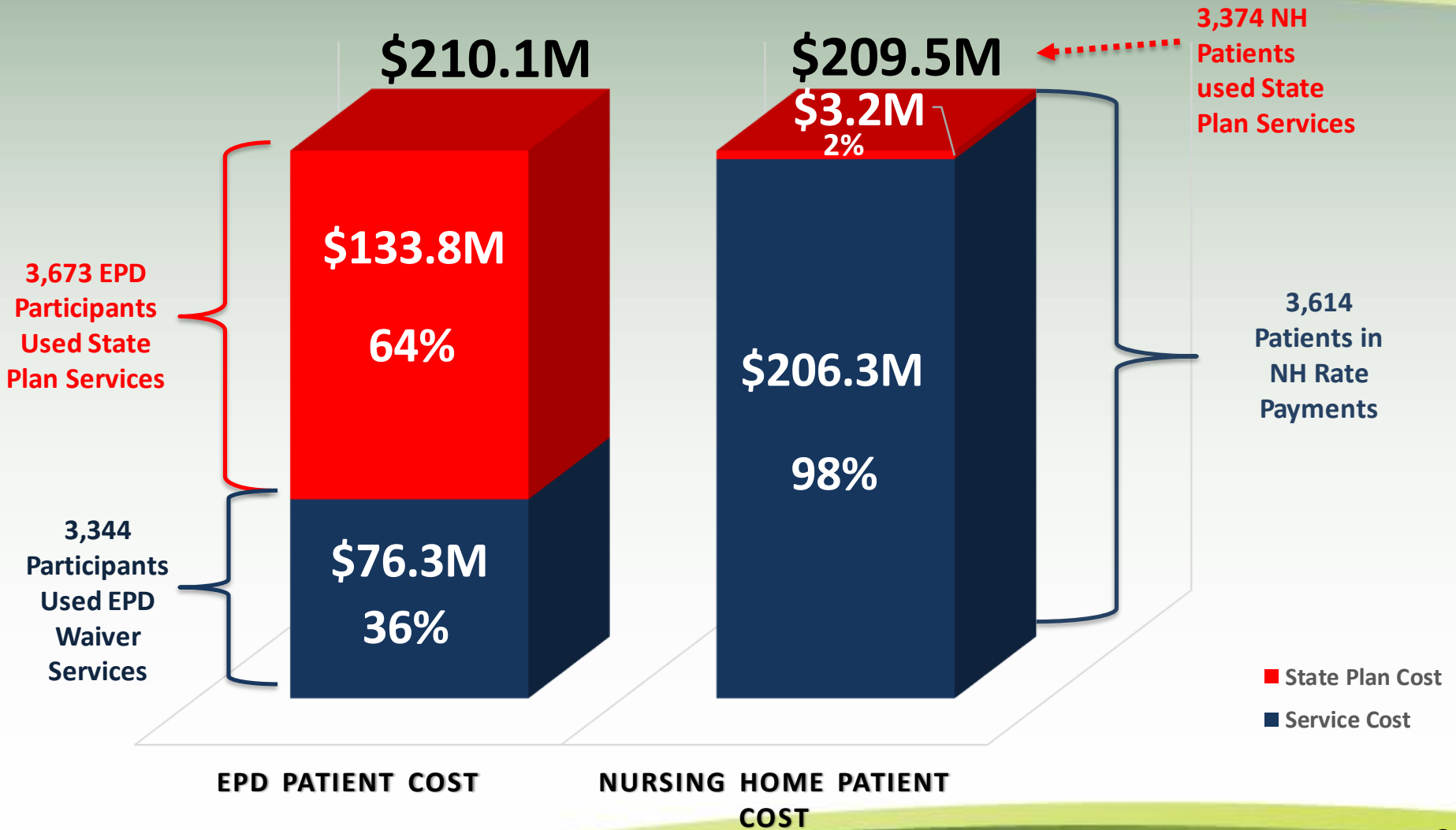


\$57,096
+
\$959
=
\$58,055 per person

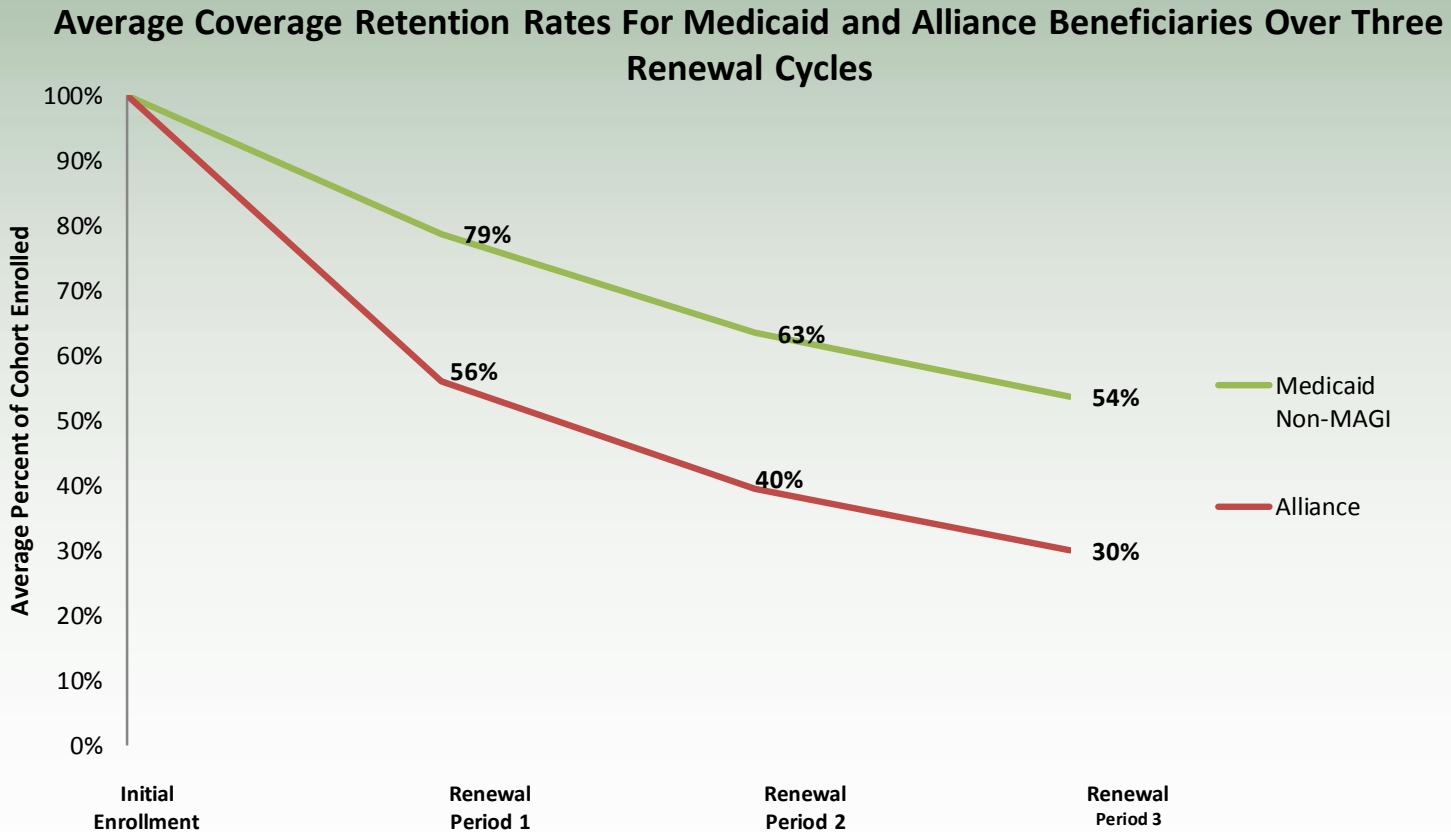
EPD Waiver vs Nursing Home Cost

April 4, 2017 thru March 23, 2018

FY 19 PROPOSED BUDGET
AND FINANCIAL PLAN



Adult Medicaid Beneficiaries Retain Coverage At A Higher Rate Than Alliance Beneficiaries



Source: 2012-2016 Enrollment data DC MMIS, analyzed by DHCF June 2017

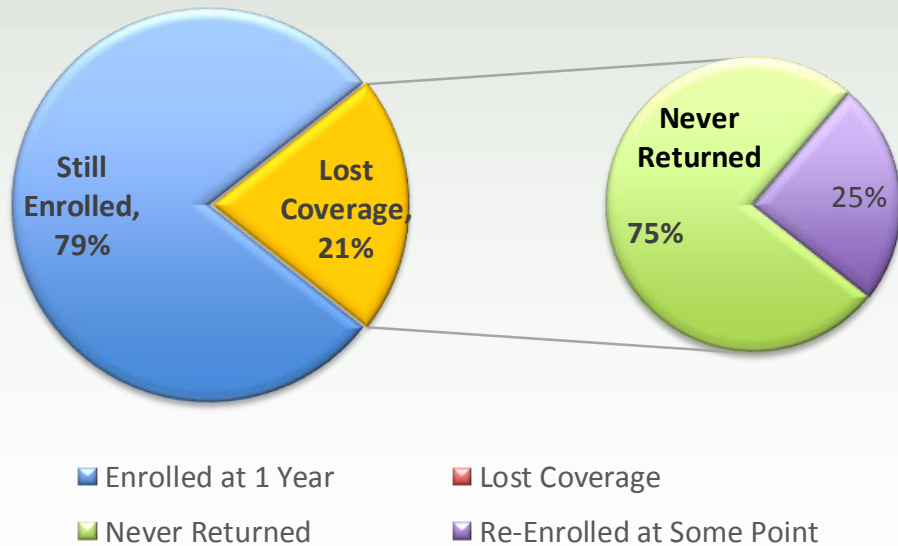
Note: Percentage represents the average experience of 12 cohorts of Alliance and Medicaid beneficiaries. Beneficiaries were included in a cohort if they had an enrollment span that began in one of the 12 months between December 2012 and November 2013 and were not enrolled in the prior month. Beneficiaries who renewed coverage within 60 days of their enrollment span end date are recorded in MMIS as having continuous coverage and are therefore not included in this analysis. DHCF tracked beneficiary enrollment experience by reviewing enrollment status after the 1st, 2nd, and 3rd eligibility cycle after the initial coverage month to assess coverage retention (7 months, 13 months and 19 months for Alliance beneficiaries and 13 month, months, and 37 months for Medicaid beneficiaries). Medicaid cohorts exclude children, long-term care recipients, and MAGI recipients (who has deferred renewal during the study period).



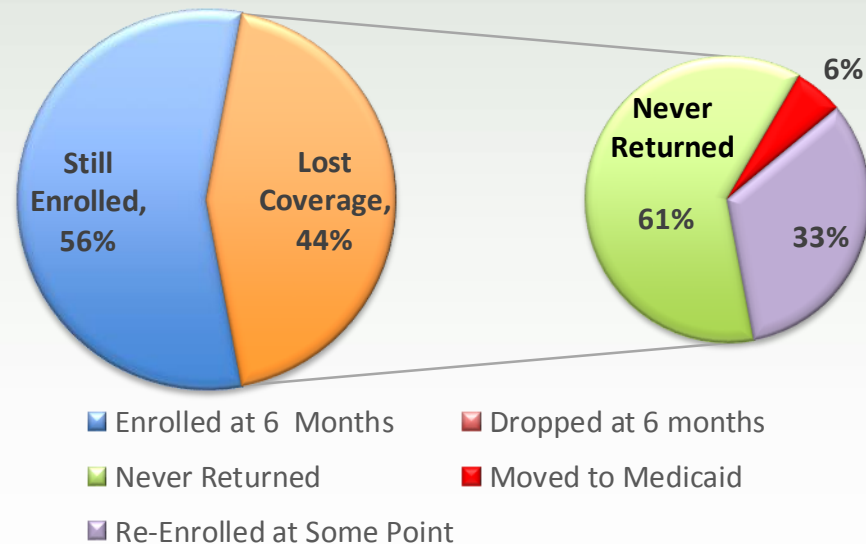
Alliance Beneficiaries Were More Likely To Re-Enroll After Losing Coverage Than Medicaid Beneficiaries

Alliance and Medicaid Re-enrollment Patterns

Reenrollment Rates For Medicaid Beneficiaries



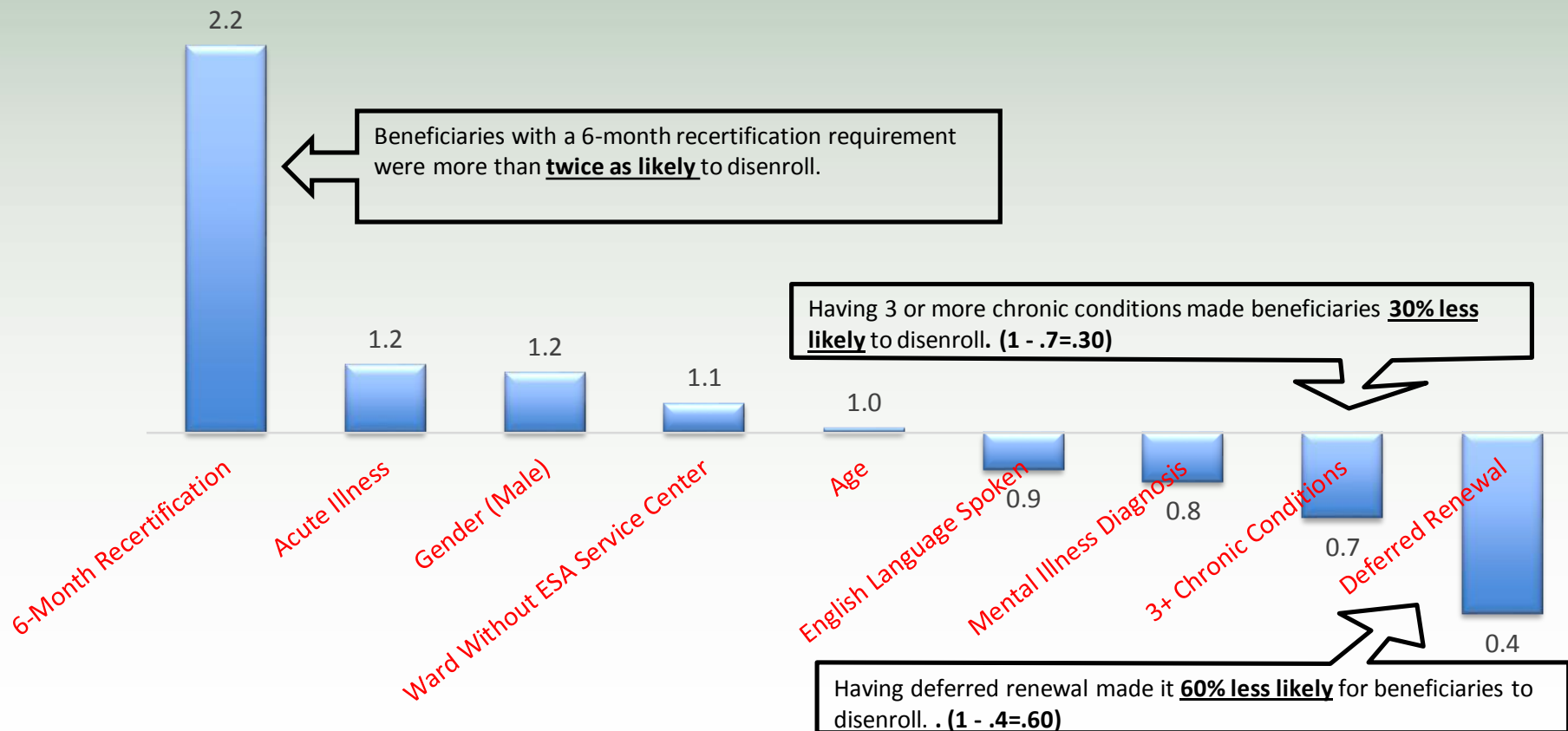
Reenrollment Rates For Alliance Beneficiaries



Source: 2012-2016 Enrollment data DC MMIS, analyzed by DHCF June 2017

Note: Percentage represents the average experience of 12 cohorts of Alliance and Medicaid beneficiaries. Beneficiaries were included in a cohort if they had an enrollment span that began in one of the 12 months between December 2012 and November 2013 and were not enrolled in the prior month. Beneficiaries who renewed coverage within 60 days of their enrollment span end date are recorded in MMIS as having continuous coverage and are therefore not included in this analysis. DHCF tracked beneficiary enrollment experience by reviewing enrollment status after the 1st, 2nd, and 3rd eligibility cycle after the initial coverage month to assess coverage retention (7 months, 13 months and 19 months for Alliance beneficiaries and 13 months, 25 months, and 37 months for Medicaid beneficiaries). Medicaid cohorts exclude children, long-term care recipients, and MAGI recipients (who has deferred renewal during the study period).

Factors Impacting The Likelihood Of Disenrollment For Alliance And Medicaid Beneficiaries



Presentation Outline

- ☐ Introduction
- ☐ DHCF's Budget Development Process
- ☐ Proposed Funding Levels For Key Benefits
- ☐ Budget and Planning For New Hospital
- ☐ Medicaid and Alliance Challenges for FY2019
- ☒ **Conclusion**

Conclusion

- ❑ The Mayor's proposed budget makes no changes to Medicaid and Alliance beneficiaries' eligibility, thus preserving the District's strong tradition of coverage
- ❑ The Mayor's budget fully funds the contracts for the District's managed care plans while adequately supporting DHCF's fee-for-service program, which serves Medicaid's most fragile and highest cost beneficiaries
- ❑ Moreover, this budget offers a well-reasoned and strategic approach for the construction of a new hospital and buttresses these plans with sufficient funding to pay for the construction of the facility within the proposed six-year capital plan
- ❑ As DHCF prepares to execute the Mayor's budget in FY2019, following its approval by the Council, we are mindful of the significant challenges we face with the responsible stewardship of what is now a \$3 billion enterprise.
- ❑ Revisiting the cost parameters of the EPD waiver, reigning in the surging cost of our FFS population without adversely impacting the members' access to quality health care services, and continuing our efforts to better understand the forces behind the rapid growth in Alliance program cost but not its membership, are the issues that will define our work in the next year.
- ❑ Thank you